

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AQUILA, INC., d/b/a AQUILA NETWORKS	DOCKET NO. RFU-04-1 (INU-02-1)
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ORDER APPROVING REFUND PLAN

(Issued August 12, 2004)

PROCEDURAL BACKGROUND

On June 28, 2004, Aquila, Inc., d/b/a Aquila Networks, filed a refund plan with the Utilities Board (Board) to return Kansas ad valorem tax overcharges to Iowa customers. The refund plan was filed pursuant to an order of the Board issued on May 10, 2002, in Docket No. INU-02-1, In re: Northern Natural Gas Company and Peoples Natural Gas Company, Division of UtiliCorp United Inc., n/k/a Aquila, Inc., d/b/a Aquila Networks, directing Northern Natural Gas Company (Northern) to refund to Aquila certain Kansas ad valorem tax reimbursements that Northern received from producers of natural gas. Northern had retained the refunds, claiming the Board did not have jurisdiction of the matter.

Northern appealed the Board's decision to the Polk County District Court, which issued a ruling on December 9, 2002, affirming the Board's order. Northern appealed the District Court ruling to the Iowa Supreme Court. On May 12, 2004, the Iowa Supreme Court affirmed the Board's decision. Northern Natural Gas Company v. Iowa Utilities Board, 679 N.W. 2d 629 (Iowa 2004).

Northern made the required refund to Aquila based upon the Board's May 10, 2002, order and the decision of the Iowa Supreme Court. In addition to the amount refunded to Aquila for Iowa customers, Northern also refunded to Aquila all of the Kansas ad valorem tax money it had retained with respect to service provided in other states. The total refund to be passed through to Iowa customers by Aquila is \$1,132,801.90. The refund amount includes an adjustment for a reallocation of retained funds among the states and interest on the amount retained.

On July 12, 2004, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a conditional objection to the refund plan. Consumer Advocate stated that it required additional time to verify the sales and transportation volumes that were used for the refund allocation. On July 20, 2004, the Board docketed the refund plan to allow Consumer Advocate additional time. Consumer Advocate filed a withdrawal of its objection on July 20, 2004.

REFUND PLAN

Aquila proposes to distribute the Iowa portion of the Northern ad valorem refund between sales and transportation customers based on throughput by class for the 12 months ending May 2004 and to incorporate the portion of the refund assigned to the sales volumes into the annual purchased gas adjustment (PGA) reconciliation to be filed on September 30, 2004. The portion assigned to the transportation volumes will be refunded as a bill credit in August 2004 based on billed volumes for the 12 months ended May 2004.

Aquila revised its filing on July 9, 2004, to reflect the removal of volumes for the cities of Hartley and Everly recorded in the years 1983 to 1985. The revised refund amounts, including interest by class, are as follows:

<u>Customer Class</u>	<u>Total Refund</u>	<u>Avg. Refund Per Customer</u>
<u>Sales</u>		
Residential	\$ 456,663.26	\$ 3.58
Commercial/Industrial	\$ 207,249.29	\$ 13.53
SV Interruptible	\$ 19,052.27	\$ 95.50
LV Interruptible	\$ 3,863.15	\$ 297.17
SV Firm	\$ 64.70	\$ 64.70
<u>Transportation</u>		
SV Interruptible	\$ 30,864.44	\$ 377.55
LV Interruptible	\$ 268,326.11	\$ 3,965.41
SV Firm	\$ 43,827.48	\$ 270.82
LV Firm	\$ 103,516.14	\$ 7,962.78

The Board has reviewed the refund plan and finds that the refund amount, the allocation among customer classes (as revised on July 9, 2004), and the method of making the refund are reasonable and consistent with Board rules. The refund per residential customer is less than \$5 and may be refunded through the annual PGA reconciliation pursuant to 199 IAC 19.10(8).

The Board notes that the refund of these Kansas ad valorem taxes is one of the final steps in returning these unlawful overcharges to Iowa customers. Litigation over these overcharges began in 1986 and may finally be coming to an end. The Board appreciates the efforts of Consumer Advocate in helping return these refunds to Iowa customers.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The refund plan filed by Aquila, Inc., d/b/a Aquila Networks, on June 28, 2004, as revised on July 9, 2004, in Docket No. RFU-04-1 is approved.

2. Aquila, Inc., d/b/a Aquila Networks, shall file a refund report within 30 days of the completion of the refund.

UTILITIES BOARD

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 12th day of August, 2004.